

EAST BATON ROUGE PARISH INDUSTRIAL TAX EXEMPTION COMMITTEE

PROPOSED GUIDELINES FOR EVALUATING INDUSTRIAL TAX EXEMPTION REQUESTS BY EAST BATON ROUGE PARISH TAXING BODIES

The East Baton Rouge Parish Industrial Tax Exemption Program (ITEP) Committee is establishing criteria to guide the evaluation of industrial tax exemption requests in order to create greater clarity and predictability for the business community, local taxing bodies and the community at large around the terms and conditions by which tax abatements will be considered.

PURPOSE

In its consideration of requests for industrial tax exemptions, this Committee seeks to:

- 1) Strengthen the overall performance of the economy of our community
- 2) Create new, long-term employment opportunities for parish residents.
- 3) Attract manufacturing businesses considering locating in East Baton Rouge Parish and at least one other location.
- 4) Expand the ad valorem tax base of our parish.
- 5) Encourage capital investments in our community, specifically investments that are competitively-sited and investments that would not likely have taken place without an incentive.

GENERAL GUIDELINES

The Committee endorses the general guidelines established by Governor John Bel Edwards's Executive Orders (JBE 16-26 and JBE 16-73) and the new industrial tax exemption rules promulgated by the Board of Commerce and Industry, such that:

- Exemption contracts for new manufacturing plants or establishments are favored, and
- Exemption contracts for additions to any existing plant or establishment are not favored unless they provide for new jobs or present compelling reasons for the retention of existing jobs.

RECOMMENDED STANDARDS

The Committee recommends the following standards for the evaluation of exemption requests:

I: Property eligible for exemption

The amount of property value eligible for an exemption shall be established by the total investment amount applied for, adjusted where appropriate as follows:

- The cost of maintenance capital, environmentally required capital upgrades and new replacements to existing machinery shall be reduced from the total investment amount. (Cf. Louisiana Administrative Code, Chapter 13, Section 517 "Ineligible Property").
- The exemption will be limited to the increase in the assessed valuation in the year in which the improvement is completed as compared to the base year which will be the year prior

to the approval of the application. The percentage of the provided exemption will be calculated on the increased assessed valuation only.

- All new direct or contract jobs created must be permanent and full-time (30 or more hours per week, per state ITEP rules) in order to qualify.
- Investment must follow Louisiana Tax Commission Chapter 25, Section 2501, and include full installation cost and GAAP accounting for determining capitalized investment, including engineering and installation costs.
- Parish taxing bodies will not consider exemptions for projects when the investment has already been made or the project's construction already is underway prior to the passage of a resolution of support by parish taxing bodies. Should a Tax Exemption be granted the applicant will be allowed to include site selection cost and design fees incurred before the granting of the exemption.

II: MATRIX – exemption rate determined by return on investment (ROI)

The exemption percent shall be established a rate of return model, **defined as net revenue to public entities**. The calculation of net revenue will include: the projected property tax receipts, sales tax receipts, the number of jobs created and the associated the payroll amount, sales tax revenue and the construction cost based on items listed as eligible for the exemption. The Industrial Tax Exemption Rate will be established at the rate for which parish taxing bodies receive net revenue by the end of the 10th year.

The rate granted will be set for a flat rate for the initial 5 year period and the applicant will be eligible to apply for the same percentage for an extension period of 3 additional years.

At no point will the Exemption rate be allowed to exceed 80% or provide a positive ROI model beyond the 10 year period unless the committee votes by a 2/3 vote to increase the rate based on extraordinary or compelling circumstances.

Four scenarios may justify a recommendation for an enhanced exemption percent:

- 1) To attract a manufacturer not already operating in the parish,
- 2) To attract an entirely new facility of an existing manufacturer,
- 3) To prevent the imminent closure of an existing facility,
- 4) To encourage installation of machinery or equipment that provides a positive environmental impact beyond a minimum standard established by federal or local laws, rules or regulations or through a court order or settlement.

The following standards shall apply when invoking the imminent closure provision:

- 1) The corporate office of the facility must make a public declaration or issue a signed affidavit indicating that the closure of the facility is an imminent possibility.

2) The exemption under consideration must be large enough relative to the cost of the plant's overall expenses to be a material factor in the facility's closure or remaining in operation.

Part III: SPECIAL ENVIRONMENTAL PROVISION

The EBR ITEP Committee will offer a 5% abatement above the amount allotted in the matrix to encourage installation of machinery or equipment that provides a positive environmental impact beyond any floor required by federal, state, or local law, rules, regulations or legal settlements.

- Environmental improvements will be treated as stand-alone projects in regards to the matrix.

Part IV: Claw-back provision

The Committee shall include in its recommendation on ITEP requests provisions for the claw-back and/or cancellation of ITEP exemptions, which will be recommended for inclusion in "exhibit B" resolutions approved by East Baton Rouge Parish school boards, Metropolitan Council, municipalities and letters of support from the East Baton Rouge Parish Sheriff.

Those provisions shall require that:

- a) The company receiving an ITEP report to LED and the local taxing authorities on an annual basis regarding the eligible investment amount, amount of investment made subject to local sales tax, net new jobs created or lost, the total property value at the facility and the net increase in property value at the facility since the exemption was approved.
- b) Failure to meet any contractual provisions established in Exhibit A & B resolutions required under JBE 2016-73 shall result in the termination of the exemption or the adjustment of the exemption's rate for future years to maintain the originally-approved return on investment, on terms established in those resolutions.

TRANSMITTING COMMITTEE FINDINGS / RECOMMENDATION

After evaluating a request for an industrial tax exemption, this Committee will apply the criteria outlined above to establish the exemption's recommended percent and other terms, vote on the request and send a report to each parish taxing authority describing the terms recommended by the Committee and the justification for those terms.

The committee is required to report out their recommendation to the local taxing authorities on any application brought before it within 30 days of receiving the information from the applicant on the required ITEP intake form.